

CHAPTER 157

TAXATION AND TAX LAW ADMINISTRATION — MISCELLANEOUS CHANGES

H.F. 608

AN ACT relating to the technical administration of the tax laws by the department of revenue, including administration of the research activities credit, income taxes, and the flood mitigation program, and including effective date and retroactive applicability provisions.

Be It Enacted by the General Assembly of the State of Iowa:

Section 1. Section 15.335, subsection 7, paragraph b, Code 2017, is amended to read as follows:

b. For purposes of [this section](#), “*Internal Revenue Code*” means the Internal Revenue Code of 1954, prior to the date of its redesignation as the Internal Revenue Code of 1986 by the Tax Reform Act of 1986, or means the Internal Revenue Code of 1986 as amended and in effect on January 1, 2015 2016. This definition shall not be construed to include any amendment to the Internal Revenue Code enacted after the date specified in the preceding sentence, including any amendment with retroactive applicability or effectiveness.

Sec. 2. Section 418.15, subsection 1, paragraph a, Code 2017, is amended to read as follows:

a. A governmental entity shall not receive remittances of sales tax revenue under [this chapter](#) after twenty years from the date the governmental entity’s project was approved by the board or after expiration of the additional period of years if approved under paragraph “b” unless the remittance amount is calculated under [section 418.11](#) based on sales subject to the tax under [section 432.2 423.2](#) occurring before the expiration of the twenty-year period or expiration of the additional period of years if approved under paragraph “b”.

Sec. 3. Section 422.3, subsection 5, Code 2017, is amended to read as follows:

5. “*Internal Revenue Code*” means the Internal Revenue Code of 1954, prior to the date of its redesignation as the Internal Revenue Code of 1986 by the Tax Reform Act of 1986, or means the Internal Revenue Code of 1986 as amended ~~to and including~~ and in effect on January 1, 2015. This definition shall not be construed to include any amendment to the Internal Revenue Code enacted after the date specified in the preceding sentence, including any amendment with retroactive applicability or effectiveness.

Sec. 4. Section 422.5, subsection 2, paragraph a, Code 2017, is amended to read as follows:

a. There is imposed upon every resident and nonresident of this state, including estates and trusts, the greater of the tax determined in [subsection 1](#), paragraphs “a” through “j”, or the state alternative minimum tax equal to seventy-five percent of the maximum state individual income tax rate for the tax year, rounded to the nearest one-tenth of one percent, ~~of times~~ the state alternative minimum taxable income of the taxpayer as computed under [this subsection](#).

Sec. 5. Section 422.10, subsection 3, paragraph b, Code 2017, is amended to read as follows:

b. For purposes of [this section](#), “*Internal Revenue Code*” means the Internal Revenue Code of 1954, prior to the date of its redesignation as the Internal Revenue Code of 1986 by the Tax Reform Act of 1986, or means the Internal Revenue Code of 1986 as amended and in effect on January 1, 2015 2016. This definition shall not be construed to include any amendment to the Internal Revenue Code enacted after the date specified in the preceding sentence, including any amendment with retroactive applicability or effectiveness.

Sec. 6. Section 422.11L, subsection 6, Code 2017, is amended to read as follows:

6. For purposes of [this section](#), “*Internal Revenue Code*” means the Internal Revenue Code of 1954, prior to the date of its redesignation as the Internal Revenue Code of 1986 by the Tax Reform Act of 1986, or means the Internal Revenue Code of 1986 as amended ~~to and including~~ and in effect on January 1, 2016. This definition shall not be construed to include

any amendment to the Internal Revenue Code enacted after the date specified in the preceding sentence, including any amendment with retroactive applicability or effectiveness.

Sec. 7. Section 422.13, subsection 1, paragraph d, Code 2017, is amended to read as follows:

d. The total net income, as determined under [section 422.5, subsection 3 or 3B](#), of a resident ~~or nonresident~~ of this state is more than the appropriate dollar amount listed in [section 422.5, subsection 3 or 3B](#), upon which tax is not imposed.

Sec. 8. Section 422.32, subsection 1, paragraph h, Code 2017, is amended to read as follows:

h. “*Internal Revenue Code*” means the Internal Revenue Code of 1954, prior to the date of its redesignation as the Internal Revenue Code of 1986 by the Tax Reform Act of 1986, or means the Internal Revenue Code of 1986 as amended ~~to and including~~ and in effect on January 1, 2015. This definition shall not be construed to include any amendment to the Internal Revenue Code enacted after the date specified in the preceding sentence, including any amendment with retroactive applicability or effectiveness.

Sec. 9. Section 422.33, subsection 2, paragraph a, subparagraph (1), subparagraph division (c), Code 2017, is amended to read as follows:

(c) Nonbusiness rents and royalties received from tangible personal property are allocable to this state to the extent that the property is utilized in this state; or in their entirety if the taxpayer’s commercial domicile is in this state and the taxpayer is not taxable in the state in which the property is utilized. The extent of utilization of tangible personal property in a state is determined by multiplying the rents and royalties by a fraction, the numerator of which is the number of days of physical location of the property in the state during the rental or royalty period in the taxable year and the denominator of which is the number of days of physical location of the property everywhere during all rental or royalty periods in the taxable year. If the physical location of the property during the rental or royalty period is unknown, or unascertainable by the taxpayer, tangible personal property is utilized in the state in which the property was located at the time the rental or royalty payor obtained possession.

Sec. 10. Section 422.33, subsection 5, paragraph e, subparagraph (2), Code 2017, is amended to read as follows:

(2) For purposes of [this subsection](#), “*Internal Revenue Code*” means the Internal Revenue Code of 1954, prior to the date of its redesignation as the Internal Revenue Code of 1986 by the Tax Reform Act of 1986, or means the Internal Revenue Code of 1986 as amended ~~and in effect on January 1, 2015~~ and in effect on January 1, 2016. This definition shall not be construed to include any amendment to the Internal Revenue Code enacted after the date specified in the preceding sentence, including any amendment with retroactive applicability or effectiveness.

Sec. 11. 2016 Iowa Acts, chapter 1007, section 3, subsection 1, is amended to read as follows:

1. Notwithstanding section 1 of this Act, or any other provision of law to the contrary, the additional first-year depreciation allowance authorized in section 168(k) of the Internal Revenue Code, as enacted by Pub. L. No. 114-113, §143, does not apply in computing net income for state tax purposes for tax years ending on or after January 1, 2015, ~~but before January 1, 2016~~. If the taxpayer has taken the additional first-year depreciation allowance for purposes of computing federal adjusted gross income or federal taxable income, as the case may be, then the taxpayer, when computing net income for purposes of the individual income tax under [section 422.7](#) or the corporation income tax or franchise tax under [section 422.35](#), shall make the adjustments described in [section 422.7, subsection 39A](#), paragraphs “a” through “c”, Code 2016, or described in [section 422.35, subsection 19A](#), paragraphs “a” through “c”, Code 2016, as applicable.

Sec. 12. EFFECTIVE UPON ENACTMENT. The following provision or provisions of this Act, being deemed of immediate importance, take effect upon enactment:

1. The section of this Act amending 2016 Iowa Acts, chapter 1007, section 3, subsection 1.

2. The provisions amending the date reference from “January 1, 2015” to “January 1, 2016” in the sections of this Act amending section 15.335, subsection 7, paragraph “b”, section 422.10, subsection 3, paragraph “b”, and section 422.33, subsection 5, paragraph “e”, subparagraph (2), relating to the definition of “Internal Revenue Code” for purposes of the Iowa research activities credits.

Sec. 13. RETROACTIVE APPLICABILITY. The following provision or provisions of this Act apply retroactively to January 1, 2015:

1. The section of this Act amending 2016 Iowa Acts, chapter 1007, section 3, subsection 1.

Sec. 14. RETROACTIVE APPLICABILITY. The following provision or provisions of this Act apply retroactively to January 1, 2016, for tax years beginning on or after that date:

1. The provisions amending the date reference from “January 1, 2015” to “January 1, 2016” in the sections of this Act amending section 15.335, subsection 7, paragraph “b”, section 422.10, subsection 3, paragraph “b”, and section 422.33, subsection 5, paragraph “e”, subparagraph (2), relating to the definition of “Internal Revenue Code” for purposes of the Iowa research activities credits.

Approved May 11, 2017